“IMPACT OF FINANCIAL INCLUSION ON RURAL EMPOWERMENT-A STUDY WITH REFERENCE TO LATUR DISTRICT”

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Introduction:-

This famous observation made by the Father of the Nation Mahatma Gandhi at the beginning of 20th Century that India lives in its villages, still holds true. Villagers are the base of Indian society and also represent the real India. And it is for these villagers that we need to make sure we build a system that delivers basic social infrastructure in an effective manner. The government has identified several elements of social and economic infrastructure, critical to the quality of life in rural areas, in order to ensure that the fruits of India's progress are shared by all sections of the society.

As stated before Mahatma Gandhi had said that the soul of India lives in its villages. Today we are at a crucial juncture, where the soul of our country is in distress and losing the significance of its existence. The villagers migrate to cities in search of employment and better prospect leaving their base. So our villages crippled. This forced migration leds to an unplanned and unsustainable growth of cities augmenting urban agglomerations. This growth is like a tumour affecting the cities somberly. The infrastructure of cities is not sufficient to afford over population which leads to poor conditions be it in transport, sanitation or education etc. The cities cannot provide basic services and social infrastructure like affordable schools and health care centers. As a result the migrants have to live an unhygienic life which is worse than their earlier life in the villages.

Today, we are planning to make 100 new smart cities neglecting the villages. A smart city will remain smart, only if it is allowed to support the population it is planned for. Any encumbrances on these cities need to be abstained, for which we need to make our villages Smart and desirable.The investment required for the development of villages and creating opportunities therein is meager in comparison to that required for a smart city. Moreover, it will safeguard planned development of city thereby protecting the massive investment that would be done to create smart cities. Hence, the entire conception of a smart city cannot be done in isolation leaving the surrounding areas. Creation of smart city has to begin with a conversion of surrounding and neighbouring villages to smart villages.

These smart villages have to have sustainable housing, health, sanitation, education, electricity, drainage and allied facilities. In addition to it, the 'X' factor of each village has to be identified and work should be done to enrich it. These aspects would vary from agriculture, heritage, culture, micro-industries, nature etc. These factors need to be institutionalised within village level and developed making it self-sustainable. The infrastructure should be sufficient to give it an equal opportunity as a city in terms of roads, electricity and telecommunication. The limited population of a village (which could vary from 1000-2500) helps in an opposite planning and implementation.

Although we are in the 68th year of independence, still the poverty eradication occupies the centre stage of economic development. Our reforms are aimed at removal of poverty and the wide gap that exists between that states and the rural and urban divide. The Indian economy recorded substantial growth during the last decade still the fruits have not reached to ground level; the poverty is getting concentrated to poorer states.

Banks play very important role of intermediation by collecting deposits and deploying them in the very segments of economy through loans and investments functions. This creates wealth for the nation.

RBI has taken several steps for taking Banking system to the door steps of the weakest. The various initiatives taken are:

1. Creation of co-operative structure.
2. Nationalization of Banks in 1969 and further in 1984.
3. Lead Bank scheme.
4. Formation of Regional Rural Banks.
5. Service area approach.
6. Local area Banks.

Despite all these efforts, the penetration of banking services continues to be very limited. Some of the figures which reflect this aspect in the World Bank Survey of 2012 are given below:

a) Only 35 % of Indian adults had an access to a formal Bank account.
b) Only 8 % borrowed from bank during 12-months
c) Only 2 % of adults used an account to receive money from a family member.
d) Only 4 % used an account to receive payment from Government.
e) Out of 6-lac villages of our country more than 5-lac villages are not having access to formal banking outlet.

Thus, despite all conscious efforts of the Government to bring financially excluded population to the banking folds and hence benefits of economic growth has not reached at the lowest strata of the society.

Different aspects of poverty such as lack of funds, health, education, information and contacts, credit etc. are interlocking and they give rise to poverty traps which perpetuate poverty. Poverty leads to social exclusion; financial exclusion is one part of social exclusion. Financial exclusion means not having access to credit and financial services such as insurance, money transfer, savings, bill payments, pension etc.

If credit facilities were easily available to poor people, they would be able to smoothen out their consumption in the face of natural disasters, late or scanty monsoons, shortage of food etc. credit would enable them to take advantage of investment opportunities and to start profitable businesses. In short credit would show them a way out of poverty.

This reflects that there is a dire need to give a push to financial inclusion agenda to ensure that the people at the bottle of the pyramid join the formal financial system to reap benefits and to improve their financial wellbeing.

RBI and GOI have initiated number of measures to reduce Financial Exclusion. The two pillars of reaching development to the doorsteps of the man at the last rung of the economy are (I) Financial Literacy and (II) Financial Inclusion.

Financial literacy is an important adjunct for promoting Financial Inclusion for this a national strategy of financial education NSFE has been finalized under the aegis of Financial Stabilities and Development Council (FSCDC) to co-ordinate efforts of various stake holders involved in this process.

The other pillar i.e. Financial Inclusion or Inclusive Financing is defined as delivery of banking services at an affordable cost to the vast sections of disadvantage and low income group. Financial Inclusion also means extending Banking habits among the less privileged in urban and rural India and weaning them away from the unorganized money market and money lenders.

Since 2000, Financial Inclusion has gained impetus as a study revealed that the banking services have no proper reach to the public. RBI included the term Financial Inclusion for the first time in its annual policy in 2005-06.

Financially excluded persons are marginal farmers, marginalized women like single women, widow, single mother, landless farmers, migrants, minorities, senior citizens, oral lessees, people who fall under informal financial set up etc.

Rangrajan Committee has defined financially excluded and it revealed following information in it's report:

- 40 % of the population is unbanked in urban areas.
- 61 % of the population is unbanked in rural areas.
- Only 14 % of the adult population has loan accounts. Out of this, 9.5 % is in rural areas and 14 % in urban areas.

Factors that affect the Financial Services:-

Legal identity, limited literacy, level of income, terms and conditions for accessing finance, complicated procedures, psychological and cultural barriers, place of living (distance from financial institutions), lack of awareness, non-suitable financial products.

Indian Scenario

In the Indian context, the term 'financial inclusion' was used for the first time in April 2005 in the Annual Policy Statement presented by Y.Venugopal Reddy, Governor, Reserve Bank of India. Later on, this concept gained ground and came to be widely used in India and abroad. While recognizing the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, banks were urged to review their existing practices to align them with the objective of financial inclusion. The Report of the Internal Group to Examine Issues relating to Rural Credit and Microfinance (Khan Committee) in July 2005 drew strength from this announcement by Governor Y. Venugopal Reddy in the Annual Policy Statement for 2005-06 wherein he had expressed deep concern on the exclusion of vast sections of the population from the formal financial system. In the Khan Committee Report, the RBI exhorted the banks with a view to achieving greater financial inclusion to make available a basic "no-frills" banking account. The recommendations of the Khan Committee were incorporated into the mid-term review of the policy (2005–06). Financial inclusion again featured later in 2005 when it was used by K.C. Chakraborthy, the chairman of Indian Bank. Mangalam, Puducherry became the first village in India where all households were provided banking facilities. (Norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50,000. General credit cards (GCCs) were issued to the poor and the disadvantaged with a view to help them access easy credit.) In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions, and other civil

society organizations as intermediaries for providing financial and banking services. These intermediaries could be used as business facilitators or business correspondents by commercial banks. The bank asked the commercial banks in different regions to start a 100% financial inclusion campaign on a pilot basis. As a result of the campaign, states or union territories like Puducherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a roadblock to financial inclusion in many states and there is inadequate legal and financial structure.

The government of India recently announced "Pradhan Mantri Jan Dhan Yojna," a national financial inclusion mission which aims to provide bank accounts to at least 75 million people by January 26, 2015. To achieve this milestone, it's important for both service providers and policy makers to have readily available information outlining gaps in access and interactive tools that help better understand the context at the district level. Mix designed the Inclusion Lab India FI workbook to support these factors as they craft strategies to achieve these goals.

Need of Study

Franklin D. Roosevelt stated that the test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.

The Government of India and the Reserve Bank of India have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country. Some of the major efforts made in the last five decades include - nationalization of banks, building up of robust branch network of scheduled commercial banks, co-operatives and regional rural banks, introduction of mandated priority sector lending targets, lead bank scheme, formation of self-help groups, permitting BCs/BFs to be appointed by banks to provide door step delivery of banking services, zero balance BSBD accounts, etc. The fundamental objective of all these initiatives is to reach the large sections of the hitherto financially excluded Indian population.

India is expected to become the third largest economy after the US and China. But by the 21st century, rural India has turned out to be disconnected from the main stream of

development. A large section of Rural Population today still remains outside the coverage of the formal Banking System. The Eleventh Plan (2007-12) document was divided into three volumes viz., (i) Inclusive Growth (ii) Social Sector and (iii) Agriculture, Rural Development, Industry, Services and Physical Infrastructure. It addresses on sustained growth and investment aiming at improvement in the quality of life.

Definitions

1.1. Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan).

1.2. Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products (The Committee on Financial Sector Reforms, Chairman: Dr.Raghuram G. Rajan).

Objectives of Study:-

1) To find out the factors influencing socio-economic livelihood in Latur district.
2) To analysis the impact of financial inclusion on rural empowerment in Latur district.
3) To identify the issues and challenges for financial inclusion in Latur district.
4) To review the government policy measures for the financial inclusion.
5) To suggest suitable measures for effective implementation of financial inclusion.

Hypothesis:-

1) Initiatives taken by Government of India towards financial inclusion are not significant.
2) Financial Inclusion movement does not leads to major change in the status of rural area of Latur district.

Research Methodology:-

This is a descriptive and an empirical study based upon historical data and field survey. Considering this the researcher has adopted a suitable model of research methodology. The research methodology consists of:

A. Primaray Data

B. Secondary Data

Data Collection:-

The Primary data:-

Primary data will be the foundation of this study. The researcher will use the method of a field survey by means of visits and interviews for the purpose of collecting primary data. The researcher prepares structured questionnaires for different categories of respondents, as follows:

1) Questionnaire 'A': Respondents.

2) Questionnaire 'B' : Employees of the Bank

Secondary data:-

The secondary data from various published sources such as published data of various Government agencies, Banks, Research Journals and Periodicals, Newspapers, Other sources etc. can be used.

Selection of Sample:-

The researcher will select Latur District as a study area. In Latur district there are 10 talukas. The researcher will select a sample of five villages from each talukas randomly. Thus, a total sample of villages 50 (10 x 5= 50) will be selected.

The researcher will select 08 respondents from each of the above selected villages. Thus the sample of 400 (50 x 08 = 400) respondents benefited from financial inclusion are selected.

The researcher will select five bank branches from each of the 10 talukas i.e.50 bank branches randomly. Thus a sample of 50 (10 x 5 = 50) bank branches will be selected. Then researcher will select two bank employees from each of the branch. Thus a sample of 100 (50 x 2 = 100) bank employees will be selected.

Scope and Limitations of the study:-

The Scope and Limitations of the study are as follows:

1) The study is geographically limited to Latur district in Marathwada region of Maharashtra.
2) The study is limited to the time period of 7 years from 2011-12 to 2017-18.
3) The study is limited to the impact of financial inclusion on Rural Empowerment.
4) The limitation of primary data given by the respondent.
5) The sample size is also a limitation of study.

Statistical Tools:-

The researcher can use various statistical tools, techniques and methods such as collection, classification, tabulation, graphic presentation, percentage, averages, correlation and regression analysis etc. The researcher can also apply wherever necessary and possible, tests of significance such as Chi-square Test for drawing inference and testing of hypothesis.

Period of Research Work:-

National development depends on rural development. Financial Inclusion is a key to rural development. So period of the study "Impact of Financial Inclusion on Rural Empowerment- A study with reference to Latur District" is limited to the time period of 7 years from 2011-12 to 2017-18.

Chapter plan of the Research Work:

Tentative chapter plan of the research work is as follows:

Chapter I – **Introduction**

In this chapter the researcher will high light significance of topic, objectives of research work, research methodology and scope and limitation of study.

Chapter II – **Review of literature**

In this chapter researcher gives the reviews of various reference books.

Chapter III – **Profile of Latur District**

In this topic a brief socio-economic account of Latur district will be presented.

Chapter IV – **Impact of Financial Inclusion on Rural Empowerment.**

In this chapter impact of financial inclusion on rural empowerment will be portrayed.

Chapter V – **Data Analysis & Interpretation.**

In this chapter researcher is going to present primary data collected from the selected sample after statistical analysis of the data.

Chapter VI – **Findings, Conclusions & suggestions.**

In this chapter researcher will present findings and conclusions and proposes suggestions for effective financial inclusion.

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